

**CHFFA BOND FINANCING PROGRAM
EXECUTIVE SUMMARY**

<p>Applicant: On Lok Senior Health Services (Senior Health) 1333 Bush Street San Francisco, CA 94109 (San Francisco County)</p> <p>Project Sites: See Exhibit 1</p> <p>Facility Types: Community Clinic and Adult Day Health Care</p> <p>Eligibility: Government Code 15432(d)(6) & (7)</p> <p>Prior Borrower: Yes (last CHFFA issue, December 1992)</p> <p>Obligated Group: The Obligated Group is comprised of Senior Health and On Lok Community Housing, Inc. (Community Housing).</p>	<p>Amount Requested: \$60,000,000</p> <p>Requested Loan Term: Up to 40 years</p> <p>Authority Meeting Date: September 24, 2020</p> <p>Resolution Number: 442</p>																								
<p>Background: Senior Health is a family of community-based, not-for-profit organizations whose mission is to relentlessly pursue quality of life and quality of care for older adults and their families. The program that Senior Health pioneered became known as Program of All-inclusive Care for the Elderly (PACE). Based on the vision and hard work of the co-founders, PACE expanded into a nationally replicated program. Senior Health’s PACE program serves over 1,600 seniors in the counties of Alameda, San Francisco and Santa Clara.</p>																									
<p>Use of Proceeds: Bond proceeds will be used to fund, including the reimbursement for, the costs of the construction, renovation, remodeling, and equipping of multiple facilities and refund the Association of Bay Area Governments (ABAG) Financing Authority, Series 2014 Bonds.</p>																									
<p>Type of Issue: Negotiated public offering, tax-exempt fixed rate</p> <p>Expected Credit Rating: A-; Fitch</p> <p>Financing Team: <i>Please see Exhibit 2 to identify possible conflicts of interest</i></p>																									
<p>Financial Overview: The Obligated Group appears to maintain positive operating margins and a strong income statement, with revenues consistently increasing over the review period. The Obligated Group appears strong with an operating pro-forma debt service coverage ratio of 4.30x.</p>																									
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Estimated Sources of Funds:</u></th> <th style="text-align: right;"></th> <th style="text-align: left;"><u>Estimated Uses of Funds:</u></th> <th style="text-align: right;"></th> </tr> </thead> <tbody> <tr> <td style="width: 50%;">Par amount of bonds</td> <td style="text-align: right; width: 10%;">\$60,000,000</td> <td style="width: 50%;">Project fund</td> <td style="text-align: right; width: 10%;">\$33,885,000</td> </tr> <tr> <td></td> <td></td> <td>Refunding</td> <td style="text-align: right;">22,505,000</td> </tr> <tr> <td></td> <td></td> <td>Debt service reserve fund</td> <td style="text-align: right;">2,661,590</td> </tr> <tr> <td></td> <td></td> <td>Financing costs</td> <td style="text-align: right;">948,410</td> </tr> <tr> <td>Estimated Total Sources</td> <td style="text-align: right;"><u>\$60,000,000</u></td> <td>Estimated Total Uses</td> <td style="text-align: right;"><u>\$60,000,000</u></td> </tr> </tbody> </table>		<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>		Par amount of bonds	\$60,000,000	Project fund	\$33,885,000			Refunding	22,505,000			Debt service reserve fund	2,661,590			Financing costs	948,410	Estimated Total Sources	<u>\$60,000,000</u>	Estimated Total Uses	<u>\$60,000,000</u>
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<p>Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Affiliation Due Diligence, and CEQA documentation, and the certifications for Community Service Obligation, Pass-Through Savings, and the Iran Contracting Act. All documentation satisfies the Authority’s requirements.</p>																									
<p>Staff Recommendation: Staff recommends the Authority approve Resolution Number 442 in an amount not to exceed \$60,000,000 for On Lok Senior Health Services, subject to the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency. TAP International, Inc., the Authority’s financial analyst, and KNN Public Finance, LLC, the Authority’s municipal advisor, concur with the Authority’s staff recommendation.</p>																									

I. PURPOSE OF FINANCING:

Senior Health seeks to issue tax-exempt bonds for capital improvements and to refund the ABAG Series 2014 Bonds. These bonds will be used to fund, including the reimbursement for, the costs of the construction, renovation, remodeling, and equipping of multiple facilities of the Obligated Group, financing costs, and at the sole option of Senior Health, a debt service reserve fund. The renovations and upgrades of existing facilities will help improve efficiency. Additionally, the ABAG Series 2014 Bonds are variable rate bonds, and the primary purpose of this refunding is to lock in a fixed rate capital structure. The refunding will eliminate bank renewal and interest rate risks, and potentially increasing costs associated with the variable rate bank debt.

Project Fund \$33,885,000

Bond proceeds will be used to renovate, improve, and equip various facilities of the Obligated Group. Projects will include the complete exterior and partial interior renovation of a building that contains both senior housing and a dementia care center; renovation of a facility for use as an Alternative Care Setting/Adult Day Health Care; renovation of a building that will support administrative staffing for the PACE program; modernization of an elevator; updating of a kitchen, a kitchenette, and dining spaces; improvement of outdoor spaces; and replacement of various pieces of equipment.

Refunding..... 22,505,000

ABAG Series 2014 Revenue Bonds

The bond proceeds of the ABAG Series 2014 bonds were used to (i) refinance debt of the Obligated Group and/or their affiliates obtained for earlier renovations on a multi-purpose facility and improvements at various other facilities, (ii) finance the acquisition, construction, improvement and equipping of Senior Health’s facility in San Jose, and (iii) fund issuance costs.

Debt Service Reserve Fund 2,661,590

Financing Costs 948,410

Estimated cost of issuance \$474,205

Estimated underwriter’s discount..... 474,205

Total Estimated Uses of Funds \$60,000,000

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

This executive summary and recommendations include minimum requirements. Additional or more stringent covenants or disclosures may be added following consultation with Authority staff but without further notification to the Authority's Board. These covenants and disclosures cannot be diluted or removed without subsequent review. If there have been modifications to the proposed covenants and disclosures following the preparation of this executive summary, staff will report it at the meeting.

Senior Health and its affiliate, Community Housing, are currently the only members of an obligated group created under a master trust indenture, dated as August 1, 2008 (Prior Master Indenture). Concurrently with the issuance of the Series 2020 Bonds and the defeasance of the Series 2014 Bonds, the Prior Master Indenture will be discharged and Senior Health and Community Housing will enter into a new master trust indenture (as supplemented from time to time, the Master Indenture) to create an obligated group (Obligated Group). Senior Health is the Obligated Group Representative under the Master Indenture and acts on behalf of itself and the other Member of the Obligated Group, pursuant to the provisions of the Master Indenture. On the date of issuance of the Series 2020 Bonds, Senior Health and Community Housing will be the only Members of the Obligated Group.

Senior Health will be the borrower under the loan agreement (Loan Agreement) to be entered into with the Authority in connection with the issuance of the Series 2020 Bonds. Acting on behalf of itself and the other Member of the Obligated Group, as Obligated Group Representative, Senior Health will issue the Series 2020 Bonds under the Master Indenture to secure the obligations of Senior Health under the Loan Agreement. Both Senior Health and Community Housing, as Members of the Obligated Group, will be jointly and severally liable for payments on the Series 2020 Bonds.

After reviewing the Obligated Group's credit profile, including its current financial profile, prior bond transactions, and current market requirements, Senior Health; KNN Public Finance, LLC (KNN), the Authority's municipal advisor; and the underwriter of the Series 2020 Bonds have concluded that the covenants listed below align with the interests of Senior Health, the Authority, and the investors and that Senior Health's current financial situation does not suggest additional covenants should be required.

The covenants listed below are applicable to this transaction.

Unconditional Promise to Pay. *Senior Health agrees to pay the Trustee all amounts required for payment of the principal (or Redemption Price), interest with respect to the proposed Series 2020 Bonds and agrees to pay the additional payments and expenses specified in the Loan Agreement. In addition, Senior Health, acting on behalf of itself and the other Member of the Obligated Group, will issue the Series 2020 Bonds to secure the obligations of Senior Health under the Loan Agreement.*

All Revenues (which will include payments by Senior Health under the Loan Agreement and payments by the Obligated Group on the Series 2020 Bonds) and amounts held in the funds and account established under the Indenture (excluding the Rebate Fund) will be pledged to secure the full payment of the proposed Series 2020 Bonds.

Debt Service Reserve Account. *A debt service reserve account under the Indenture, at the sole option of Senior Health, may be established for the proposed Series 2020 Bonds.*

Pledge of Gross Revenues. *Each Member of the Obligated Group has in the Master Indenture granted to the Master Trustee a security interest in the Gross Revenues of the Obligated Group Members and the Gross Revenue Fund established under the Master Indenture.*

Limitation on Liens; Permitted Liens. *Each Member of the Obligated Group has agreed in the Master Indenture not to create, assume or suffer to exist any Lien upon its Property except for Permitted Liens.*

Debt Service Coverage Requirement. *The Master Indenture will require that the Obligated Group maintain a minimum Debt Service Coverage Ratio.*

Limitations on Indebtedness and Restrictions on Guaranties. *Each Member of the Obligated Group has agreed not to incur Indebtedness or Guaranties unless authorized by various provisions set out in the Master Indenture.*

Limitations on Disposition of Assets. *Each Member of the Obligated Group has covenanted not to voluntarily sell, lease or otherwise dispose of Property in any Fiscal Year other than as authorized by various provisions set out in the Master Indenture.*

Limitations on Merger, Consolidation, Sale or Conveyance. *Each Member of the Obligated Group has agreed not to merge or consolidate with any entity, which is not a Member of the Obligated Group or sell or convey all or substantially all of its assets to an entity not a Member of the Obligated Group other than as authorized by the various provisions set out in the Master Indenture.*

Days Cash on Hand Requirement. *The Related Supplement for the Series 2020 Bonds to the Master Indenture may contain, at the sole option of Senior Health, a minimum Days Cash on Hand covenant.*

Security Interest in Designated Property/Deed of Trust. *Under the Related Supplement for the Series 2020 Bonds to the Master Indenture, the Obligated Group may grant a deed of trust and security agreement in certain of its facilities, including real estate and equipment, as security for payment of all Master Indenture obligations, including the Series 2020 Bonds for so long as the Series 2020 Bonds are outstanding.*

Limitations on Withdrawal from the Obligated Group and Entrance into the Obligated Group. *The Master Indenture sets forth certain requirements, including certain financial tests, which must be met for withdrawal from, or entry into, the Obligated Group.*

Comply with SEC Rule 15c2-12. *Senior Health, on behalf of the Obligated Group, will take such action as is necessary to assist the underwriter in complying with SEC Rule 15c2-12. Senior Health will contractually agree to disclose designated financial and operating information to the Securities and Exchange Commission (SEC) web site (EMMA) during the life of the Series 2020 bonds and to report designated “material events” such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.*

Staff has reviewed the contents of this financing package and find these documents and proposed covenants to be acceptable. KNN has reviewed the Master Indenture, Loan Agreement, Indenture, and prior Senior Health offering documents associated with this financing package and found these documents and proposed covenants to be acceptable.

III. FINANCIAL STATEMENTS AND ANALYSIS:

The Obligated Group includes On Lok Senior Health Services and On Lok Community Housing, Inc., and financial statements for each organization are presented and analyzed here for fiscal years (FY) 2017 through 2019.

**On Lok Senior Health Services
Statement of Activities
(Income Statement)**

	For the Years Ended June 30,		
	2019	2018	2017
Revenues			
Medicare premiums earned	\$ 45,380,779	\$ 45,239,382	\$ 43,187,138
Medi-Cal premiums earned	119,981,651	105,737,481	99,609,225
Premiums from participants	1,628,219	1,870,256	1,754,271
Contributions	258,042	139,353	283,796
Government grants and contracts	38,108	86,881	83,085
In-kind rent	-	-	-
Rental- related organizations	577,071	-	-
Interest and dividend income	2,758,257	2,275,282	1,943,576
Other income	1,784,680	823,585	789,308
Net assets released from restrictions	1,235,013	735,678	469,010
Total revenues	<u>173,641,820</u>	<u>156,907,898</u>	<u>148,119,409</u>
Expenses			
Salaries and employee benefits	69,538,507	61,569,707	52,144,123
Contracted services	69,732,823	63,254,029	58,418,792
Travel and training	757,119	608,020	394,043
Rent	3,720,246	2,731,791	1,725,794
Prescriptions	9,343,519	8,143,792	8,142,020
Supplies	4,192,573	4,024,178	3,559,238
Maintenance and repairs	1,490,470	1,699,970	963,971
Utilities	732,204	670,286	638,250
Telephone and dispatch	570,053	529,538	316,401
Insurance	701,052	611,255	622,230
Interest	720,716	825,315	774,742
Contributions	14,208	12,200	-
Depreciation	3,032,615	2,772,418	2,483,329
Other	2,505,898	2,974,531	2,824,189
Total expenses	<u>167,052,003</u>	<u>150,427,030</u>	<u>133,007,122</u>
Change in net assets from operations	<u>6,589,817</u>	<u>6,480,868</u>	<u>15,112,287</u>

(Continued)

	For the Years Ended June 30,		
	(In Thousands)		
	2019	2018	2017
Other gains and (losses)			
Net realized loss on investments	(956,403)	3,615,526	1,332,327
Net unrealized gain (loss) on investments	3,249,900	(1,539,232)	5,885,277
Net realized gain on swap contract	24,530	326,504	477,714
Loss on disposition of assets	-	-	(114,296)
Total other gains and (losses)	<u>2,318,027</u>	<u>2,402,798</u>	<u>7,581,022</u>
Change in net assets	8,907,844	8,883,666	22,693,309
Net assets, beginning of year	128,131,381	122,247,715	102,554,406
Distribution to related organization	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>(3,000,000)</u>
Net assets, end of year	<u>\$ 134,039,225</u>	<u>\$ 128,131,381</u>	<u>\$ 122,247,715</u>

**On Lok Senior Health Services
Statements of Financial Position
(Balance Sheet)**

	As of June 30,		
	2019	2018	2017
Assets			
Current assets			
Cash and cash equivalents	\$ 1,675,352	\$ 10,342,148	\$ 7,458,253
Accounts receivable	31,769,171	19,835,039	25,115,429
Contributions receivable, current	317,711	43,199	754,226
Receivable from related organization	33,829	1,192	28,700
Prepaid expenses and deposits	3,140,717	3,152,073	3,225,100
Total current assets	<u>36,936,780</u>	<u>33,373,651</u>	<u>36,581,708</u>
Other assets			
Investments	102,908,105	104,847,506	94,825,290
Property and equipment, net	34,169,594	32,616,504	32,749,907
Contributions receivable, net of current portion	407,655	137,875	8,000
Cash restricted for Knox-Keene license	300,000	300,000	300,000
Endowment fund held by trustee	1,493,937	1,501,131	1,446,924
Total other assets	<u>139,279,291</u>	<u>139,403,016</u>	<u>129,330,121</u>
Total assets	<u>\$ 176,216,071</u>	<u>\$ 172,776,667</u>	<u>\$ 165,911,829</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 1,602,958	\$ 1,266,425	\$ 1,401,494
Medical claims payable	4,204,822	3,100,783	3,196,951
Accrued payroll, benefits and taxes	8,373,609	7,216,233	6,025,527
Other current liabilities	3,960,654	4,910,851	4,698,572
Due to government programs	-	47,255	208,990
Bonds payable - current	433,108	420,850	404,506
Payable to related organizations	1,329,165	1,867,858	1,427,654
Capitol lease obligation - current	54,942	-	-
Deferred revenue	-	3,371,180	3,328,829
Total current liabilities	<u>19,959,258</u>	<u>22,201,435</u>	<u>20,692,523</u>
Long-term liabilities			
Capitol lease obligations, net of current portion	164,351	-	-
Bonds payable, net of current portion	18,555,706	18,977,271	19,386,578
Swap contract liability	-	24,530	351,034
Other long-term liabilities	68,490	40,549	19,615
Total long-term liabilities	<u>18,788,547</u>	<u>19,042,350</u>	<u>19,757,227</u>
Total liabilities	<u>38,747,805</u>	<u>41,243,785</u>	<u>40,449,750</u>
Net assets			
Without donor restrictions			
Designated	72,508,460	65,958,815	60,292,391
Undesignated	61,530,765	62,172,566	61,955,324
Total without donor restrictions	<u>134,039,225</u>	<u>128,131,381</u>	<u>122,247,715</u>
With donor restrictions	3,429,041	3,401,501	3,214,364
Total net assets	<u>137,468,266</u>	<u>131,532,882</u>	<u>125,462,079</u>
Total liabilities and net assets	<u>\$ 176,216,071</u>	<u>\$ 172,776,667</u>	<u>\$ 165,911,829</u>

On Lok Community Housing, Inc.
Statement of Activities
(Income Statement)

	For the Years Ended June 30,		
	2019	2018	2017
Revenues			
Rental- related organizations	\$ 1,376,075	\$ 1,376,075	\$ 1,096,856
Rent - others	838,558	811,960	734,304
Maintenance contracts	747,473	1,180,192	644,476
Interest and dividend income	184,831	147,449	132,328
Contributions	3,140	-	-
Miscellaneous	5,652	-	-
Net assets released from restrictions	3,800	-	2,884
Total revenues	3,159,529	3,515,676	2,610,848
Expenses			
Salaries and employee benefits	998,979	1,198,716	901,249
Maintenance contracts	1,050,792	-	-
Management contract	-	536,521	446,760
Travel and training	25,093	20,096	5,688
Supplies	49,362	67,768	53,251
Maintenance and repairs	225,808	192,270	252,791
Rent	-	7,902	-
Utilities	134,484	122,054	122,479
Telephone and dispatch	15,700	19,893	24,580
Insurance	69,839	60,134	62,190
Interest	158,443	217,321	204,301
Other	12,057	50,156	69,519
Depreciation	449,018	430,481	424,149
Total expenses	3,189,575	2,923,312	2,566,957
Change in net assets from operations	(30,046)	592,364	43,891
Other gains and (losses)			
Net realized loss on investments	(60,000)	231,064	90,025
Net unrealized gain (loss) on investments	328,363	(60,905)	405,897
Net realized gain on swap contract	7,661	101,979	149,207
Total other gains and (losses)	276,024	272,138	645,129
Change in net assets	245,978	864,502	689,020
Net assets, beginning of year	10,657,334	9,792,832	9,103,812
Net assets, end of year	\$ 10,903,312	\$ 10,657,334	\$ 9,792,832

On Lok Community Housing, Inc.
Statements of Financial Position
(Balance Sheet)

	As of June 30,		
	2019	2018	2017
Assets			
Current assets			
Cash and cash equivalents	\$ 801,024	\$ 1,571,151	\$ 1,037,770
Receivable from related organization	14,583	159,072	52,219
Other Receivable	562	1,370	4,461
Prepaid expenses and deposits	49,852	40,171	36,022
Total current assets	<u>866,021</u>	<u>1,771,764</u>	<u>1,130,472</u>
Property and equipment, net	6,588,599	6,973,234	7,187,986
Other assets			
Investments	8,078,777	6,629,328	6,338,210
Tenants' security deposits	24,221	21,104	20,654
Total other assets	<u>8,102,998</u>	<u>6,650,432</u>	<u>6,358,864</u>
Total assets	<u>\$ 15,557,618</u>	<u>\$ 15,395,430</u>	<u>\$ 14,677,322</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 98,467	\$ 52,842	\$ 56,123
Payable to related organizations	27,722	28,550	123
Accrued payroll, benefits and taxes	113,753	135,348	118,942
Accrued liabilities	11,487	18,567	17,071
Bonds payable - current	96,892	94,150	90,494
Total current liabilities	<u>348,321</u>	<u>329,457</u>	<u>282,753</u>
Bonds payable, net of current portion	4,151,190	4,245,500	4,337,069
Swap contracts liability	-	7,661	109,640
Tenant's security deposits	24,221	21,104	20,654
Total liabilities	<u>4,523,732</u>	<u>4,603,722</u>	<u>4,750,116</u>
Net assets			
Without donor restrictions			
Designated	720,000	2,566,454	2,690,711
Undesignated	10,183,312	8,090,880	7,102,121
Total without donor restrictions	<u>10,903,312</u>	<u>10,657,334</u>	<u>9,792,832</u>
With donor restrictions	130,574	134,374	134,374
Total net assets	<u>11,033,886</u>	<u>10,791,708</u>	<u>9,927,206</u>
Total liabilities and net assets	<u>\$ 15,557,618</u>	<u>\$ 15,395,430</u>	<u>\$ 14,677,322</u>

FINANCIAL RATIOS

Obligated Group

	Proforma			
	FYE June 30, 2019	2019	2018	2017
Debt Service Coverage (x) - Operating	4.30	7.83	7.36	13.10
Debt Service Coverage (x) - Net Assets	5.32	9.69	9.10	18.75
Debt to Unrestricted Net Assets (x)	0.42	0.16	0.17	0.18
Operating Margin (%)		3.71	4.41	10.06
Current Ratio (x)		1.86	1.56	1.80

Financial Discussion - Statement of Activities (Income Statement)

The Obligated Group appears to maintain solid operating margins and a strong income statement, with revenues consistently increasing over the review period.

The Obligated Group posted solid operating margins over the three-year review period, at 10.06% in FY 2017, 4.41% in FY 2018, and 3.71% in FY 2019. According to Senior Health's management, in fiscal years 2018 and 2019 Senior Health began experiencing higher staff turnover and difficulty attracting new staff due to the high demand for staffing in the San Francisco Bay Area. In order to attract staff and lower turnover, Senior Health posted positions with higher compensation and benefits. The increased expenses contributed to the lower margins in FY 2018 and 2019. However, Senior Health's total revenues continued to increase, from approximately \$148.1 million in FY 2017 to approximately \$173.6 million in FY 2019. Senior Health's primary source of revenue is Medicare and Medi-Cal premiums, which showed consistent growth. Combined, Medicare and Medi-Cal increased from just about \$142.8 million in FY 2017 to approximately \$165.4 million in FY 2019. According to Senior Health's management, increased Medi-Cal revenue was driven by large rate increases intended by the Department of Health Care Services to begin making up for rate reductions following the Great Recession. The increasing revenues helped Senior Health maintain its solid operating margins.

Community Housing's total revenues increased about 21% from FY 2017 to FY 2019, while total expenses increased approximately 24% over the same period. According to management, the maintenance contracts line item was the main contributor to the increase in both revenues and expenses as it was determined in FY 2018 there were extensive deferred maintenance needs on several properties. Increased staffing to perform the maintenance work resulted in a maintenance contract expense of approximately \$1.1 million in FY 2019, while the income generated from Community Housing billing the various facilities for the maintenance work performed resulted in a maintenance contract income of approximately \$1.2 million in FY 2018. Both were significantly higher than in prior fiscal years.

Senior Health has experienced numerous effects of the COVID-19 pandemic, with the largest immediate financial impact occurring to the PACE program as the census declined from a high of 1,644 members in March 2020 down to 1,602 in July 2020. Some other impacts/responses to PACE operations include suspending day care center attendance, except in extenuating circumstances; significantly increasing home-based care; greater need for transportation of meals, medications, and staff due to reduced public transit; enhanced telehealth and virtual care; and enhancement of infection control protocols and procedures. Through June 30, 2020, Senior Health incurred approximately \$2 million in incremental costs related to its COVID-19 response. Costs include pay differential for staff who go into and out of the community to provide services; paid administrative leave and additional sick leave for staff; personal protective equipment; enhanced janitorial and disinfecting within clinics and centers; contact tracing; transportation for workers impacted by reduced public transit; and reimbursement for costs incurred by staff who are working from home.

Financial Discussion - Statement of Financial Position (Balance Sheet)

The Obligated Group's financial position appears strong with an operating pro-forma debt service coverage ratio of 4.3x.

The Obligated Group has demonstrated a strong ability to service its debt with an operating debt service coverage ratio of 13.10x, 7.36x, and 7.83x in FY 2017, 2018, and 2019, respectively. With the increased total debt from the issuance of the new money portion of the bonds, the Obligated Group's pro-forma debt service coverage ratio will decrease to 4.3x, showing that the Obligated Group continues to demonstrate a strong ability to repay its debt obligations.

The Obligated Group's debt-to-unrestricted net assets ratio has remained steady at 0.18x, 0.17x, and 0.16x in FY 2017, 2018, and 2019, respectively. With the proposed new money portion of the bond issue, the Obligated Group's pro-forma debt-to-unrestricted net assets ratio will increase to 0.42x, demonstrating the Obligated Group will maintain a manageable level of total debt, which will be less than half of its total unrestricted net assets.

IV. DUE DILIGENCE:

Due diligence has been or will be completed with regard to the following items:

- **Section 15438.5(a) of the Act (Pass-Through Savings):** Senior Health properly completed and submitted the Pass-Through Savings Certification.
- **Section 15459.1 of the Act (Community Service Obligation):** Senior Health properly completed and submitted the Community Service Obligation certification and indicated that Medicare and Medi-Cal patients are accepted.
- **Compliance with Seismic Regulations:** Not applicable as Senior Health is not an acute care hospital.
- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** Senior Health properly submitted relevant documentation addressing California Environmental Quality Act.
- **Religious Affiliation Due Diligence:** Senior Health properly completed and submitted relevant documentation to meet the religious affiliation due diligence requirement.
- **Legal Review:** Senior Health properly completed and submitted relevant documentation for the Authority's Legal Status Questionnaire.
- **Iran Contracting Act:** The underwriter, Cain Brothers, properly completed and submitted the Iran Contracting Act Certificate to the Authority.

V. OUTSTANDING DEBT

Obligated Group

Issued	Original Amount	Amount Outstanding As of June 30, 2019*	Estimated Amount Outstanding after Proposed Financing
ABAG Financing Authority, Series 2014	\$ 25,530,000	\$ 23,600,000	\$ -
<i>-PROPOSED NEW DEBT</i>			
<i>CHFFA, Series 2020</i>			- 60,000,000
<i>-TOTAL DEBT</i>		\$ 23,600,000	\$ 60,000,000

*Includes current portion of long-term debt.

VI. UTILIZATION STATISTICS

On Lok Senior Health Services

Program of All-inclusive Care for the Elderly (PACE)	Fiscal Year Ending June 30,		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
# of PACE Sites	7	7	6
PACE Member Months	18,788	17,624	17,463
Acute care facility admissions (per thousand/year)	295	340	273
Emergency room visits (per thousand/year)	287	285	245

On Lok Community Housing, Inc.

Occupancy / (Capacity)

Fiscal Year Ending June 30,

<u>2019</u>	<u>2018</u>	<u>2017</u>
70 / (77)	74 / (77)	73 / (77)

VII. BACKGROUND AND LICENSURE

Background

Senior Health began in 1971, as dentist Dr. William Gee and social worker Marie-Louise Ansak saw that traditional models of health care in San Francisco were not meeting the needs of the elderly in the community. They created one of the country's first senior day health care centers, providing older adults in the Chinatown, North Beach, and Lower Nob Hill neighborhoods of San Francisco hot meals, health and social services and supervision during the daytime, while allowing them to return to their homes in the evening.

Senior Health's main objective is to develop, implement, and provide comprehensive health care services to seniors in the greater Bay Area. To that end, Senior Health is a prototype of the PACE model, which provides comprehensive medical and social services to frail seniors and enables them to live independently in their own homes and communities. Senior Health's PACE program serves over 1,600 members in Alameda, San Francisco, and Santa Clara counties. In January 1999, Senior Health became a qualified health care service plan.

Licensure and Accreditation

Senior Health is licensed by the Department of Public Health to operate community clinics and by the Department of Social Services to operate adult day health care facilities.

EXHIBIT 1
PROJECT SITES

- 1000 Montgomery Street, San Francisco, CA 94133
- 1333 Bush Street, San Francisco, CA 94109
- 1350 Bush Street, San Francisco CA 94109
- 4430 Mission Street, San Francisco, CA 94112
- 225 30th Street, San Francisco, CA 94110
- 1441 Powell Street, San Francisco, CA 94133
- 299 Stockton Avenue, San Jose, CA 95126
- 130 N. Jackson Avenue, San Jose, CA 95116
- 3683 Peralta Boulevard, Fremont, CA 94536
- 39465 Paseo Padre, Fremont, CA 94538
- 2147 Mowry Avenue, Fremont CA 94538

EXHIBIT 2

FINANCING TEAM

Borrower: On Lok Senior Health Services

Agent for Sale: California State Treasurer

Issuer's Counsel: Office of the Attorney General

Issuer's Municipal Advisor: KNN Public Finance, LLC

Issuer's Financial Analyst: TAP International, Inc.

Borrower's Counsel: Hooper, Lundy & Bookman, PC

Bond Counsel: Orrick, Herrington & Sutcliffe LLP

Underwriter: Cain Brothers, a division of KeyBanc
Capital Markets Inc.

Underwriter's Counsel: Hawkins Delafield & Wood LLP

Trustee & Master Trustee: Wells Fargo Bank, N.A.

Trustee & Master Trustee's Counsel: Wells Fargo Bank, N.A.

Rating Agency: Fitch Ratings, Inc.

Auditor: Armanino LLP

RESOLUTION NO. 442

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
AUTHORIZING THE ISSUANCE OF REVENUE BONDS
TO FINANCE AND REFINANCE PROJECTS AT THE HEALTH FACILITIES OF
ON LOK SENIOR HEALTH SERVICES (AS DESCRIBED BELOW)

WHEREAS, the California Health Facilities Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Health Facilities Financing Authority Act (the “Act”) to issue revenue bonds and loan proceeds thereof to any participating health institution to finance the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities (including by reimbursing expenditures made for such purposes), to refinance indebtedness of a participating health institution in connection therewith and to refund any outstanding bonds or any outstanding series or issue of bonds of the Authority; and

WHEREAS, On Lok Senior Health Services (the “Corporation”) is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California; and

WHEREAS, On Lok Community Housing, Inc. (“OLCHI”) is an affiliate of the Corporation and a California nonprofit public benefit corporation; and

WHEREAS, ABAG Finance Authority For Nonprofit Corporations previously issued its Variable Rate Revenue Bonds (On Lok Senior Health Services), Series 2014 (the “Prior Bonds”), in the original aggregate principal amount of \$25,530,000, of which \$22,505,000 in principal amount is currently outstanding, and loaned the proceeds thereof to the Corporation to finance and refinance the acquisition, construction, equipping and furnishing of certain health facilities, which are all owned or leased by the Corporation or any of its affiliates, each of which is a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code, and operated by the Corporation and/or any of its affiliates, as more particularly described under the caption “Prior Project” in Exhibit A hereto (the “Prior Project”); and

WHEREAS, the Corporation has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed \$60,000,000, and make one or more loans of the proceeds thereof to the Corporation to (i) refund all or a portion of the Prior Bonds; (ii) finance, including reimburse for, the costs of the construction, expansion, remodeling, renovation, furnishing and equipping of certain health facilities, which are all owned or leased by the Corporation and/or any of its affiliates, and operated by the Corporation and/or any of its affiliates, as more particularly described under the caption “New Project” in Exhibit A hereto (the “New Project” and, together with the Prior Project, the “Project”); (iii) pay costs of issuance of the Bonds (as defined below); and (iv) at the sole option of the Corporation, provide a bond reserve fund for the Bonds; and

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the Government Code, the Corporation has provided documentation to the Authority demonstrating, to the extent applicable, that the Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code or is not a “project” under such division; and

WHEREAS, approval of the terms of issuance and sale of such revenue bonds and various related matters is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

SECTION 1. Pursuant to the Act, revenue bonds of the Authority designated as the “California Health Facilities Financing Authority Revenue Bonds (On Lok Senior Health Services), Series 2020” (the “Bonds”), in a total aggregate principal amount not to exceed \$60,000,000, are hereby authorized to be issued from time to time, in one or more series, with such other name or names of the Bonds or series thereof as designated in the indenture pursuant to which the Bonds will be issued. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the fifth recital above.

SECTION 2. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to enter into agreements to sell the Bonds, in one or more series, on one or more sale dates at any time prior to the first anniversary of the date of this Resolution, at public or private sale, in such aggregate principal amounts (not to exceed the aggregate principal amount set forth in Section 1) and in such series, at such prices (so long as the discount on the Bonds sold shall not exceed 6 percent of the par value thereof) and at such interest rate or rates and upon such other terms and conditions as the Treasurer, with the advice and consent of the Corporation, may determine. The Bonds shall, at issuance, be rated at investment grade by an active nationally recognized rating agency. The Bonds or any series of them may, at the sole option of the Corporation, be secured by deeds of trust, a reserve fund, bond insurance, credit facilities and other security arrangements and/or supported by one or more liquidity facilities.

SECTION 3. The proposed forms of the following documents:

- (i) A Loan Agreement relating to the Bonds (the “Loan Agreement”), between the Authority and the Corporation,
- (ii) A Bond Indenture relating to the Bonds (the “Bond Indenture”), between the Authority and Wells Fargo Bank, National Association, as bond trustee (the “Bond Trustee”),
- (iii) A Bond Purchase Contract, including the exhibits thereto, relating to the Bonds (the “Purchase Contract”), among Cain Brothers, a division of KeyBanc Capital Markets Inc. or its affiliate, as underwriter (the “Underwriter”), the Treasurer and the Authority, and approved by the Corporation, and
- (iv) A preliminary official statement relating to the Bonds (the “Preliminary Official Statement”),

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect provisions relating to a deed of trust, a bond reserve fund, bond insurance, any other credit and/or liquidity facility and/or another security arrangement, at the sole option of the Corporation, for the Bonds) as the officer executing the same may require or

approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Loan Agreement, the Bond Indenture and the Purchase Contract and by delivery thereof in the case of the Preliminary Official Statement. The Executive Director shall seek the advice of bond counsel and counsel to the Authority with respect to any such insertions, deletions or changes therein.

SECTION 4. The Authority hereby specifically finds and declares that the findings of the Authority set forth in the Loan Agreement are true and correct.

SECTION 5. The dated dates, maturity dates (not exceeding 40 years from the respective date of issue), interest rates, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of tender or purchase, terms of redemption, provisions governing transfer and other terms of the Bonds, including provisions for a credit facility and/or a liquidity facility from time to time, shall be as provided in the Bond Indenture, as finally executed.

SECTION 6. The Underwriter is hereby authorized to distribute a Preliminary Official Statement for the Bonds to persons who may be interested in the purchase of such Bonds offered in such issuance, it being understood that, at the discretion of the Underwriter (in consultation with the Corporation), a preliminary official statement may not be used with respect to the Bonds. The Underwriter is hereby directed to deliver the final official statement (the "Official Statement") to all actual purchasers of such Bonds.

SECTION 7. The Bonds, when executed, shall be delivered to the Bond Trustee for authentication by the Bond Trustee. The Bond Trustee is hereby requested and directed to authenticate the Bonds by executing the Bond Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon direction of the Underwriter thereof in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Said instructions shall provide for the delivery of the Bonds to or upon direction of the Underwriter, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

SECTION 8. Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things which they may deem necessary or advisable in order to consummate the issuance, sale, and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Bond Indenture, Loan Agreement, Purchase Contract and Official Statement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) a tax certificate and agreement and other certifications; and (b) any agreement or commitment letter with respect to the provisions of bond insurance, a letter of credit, a surety bond, a credit facility and/or a liquidity facility for the Bonds.

SECTION 9. The provisions of the Authority's Resolution No. 2018-09 apply to the documents and actions approved in this Resolution.

SECTION 10. The Authority hereby approves and ratifies each and every action taken by its officers, agents and employees prior to the date hereof in furtherance of the purposes of this Resolution.

SECTION 11. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: _____

EXHIBIT A

Prior Project Description

The acquisition, construction, equipping and furnishing of community clinics and adult day health centers, including associated parking and other related facilities, all owned or leased by the Corporation or any of its affiliates, and operated by the Corporation and/or any of its affiliates, and located at or near 1000 Montgomery Street, San Francisco; 1333 Bush Street, San Francisco; 1441 Powell Street, San Francisco; 299 Stockton Avenue, San Jose; and 130 N. Jackson Avenue, San Jose

New Project

The construction, expansion, remodeling, renovation, furnishing and equipping of community clinics and adult day health centers, including administrative and other related facilities, all owned or leased by the Corporation and/or any of its affiliates, and operated by the Corporation and/or any of its affiliates, located at the following locations:

- 1000 Montgomery Street, San Francisco
- 1333 Bush Street, San Francisco
- 1350 Bush Street, San Francisco
- 4430 Mission Street, San Francisco
- 225 30th Street, San Francisco
- 1441 Powell Street, San Francisco
- 299 Stockton Avenue, San Jose
- 130 N. Jackson Avenue, San Jose
- 3683 Peralta Boulevard, Fremont
- 39465 Paseo Padre, Fremont
- 2147 Mowry Avenue, Fremont